

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 AGRE-00 HEW-04

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R 290947Z SEP 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 910

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMEMBASSY JAKARTA

AMEMBASSY BANGKOK

AMEMBASSY TOKYO

AMCONSUL HONG KONG

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C O R R E C T E E D C O P Y (P A R A 1)

HONG KONG FOR REGIONAL TREASURY REPRESENTATIVE

E.O. 11652: N/A

TAGS: ECON, RP

SUBJECT: CY 1977 NATIONAL BUDGET

1. SUMMARY: THE NEWLY CREATED BATASANG BAYAN PROVIDED THE FORUM FOR DISCUSSION OF A 27.4B PESO (\$3.7B) NATIONAL BUDGET FOR CALENDAR YEAR (CY) 1977. THE CY 1977 BUDGET ALLOTS 40 PERCENT FOR ECONOMIC DEVELOPMENT, 18 PERCENT FOR SOCIAL SERVICES, 18 PERCENT FOR DEFENSE, AND 23 PERCENT FOR GENERAL ADMINISTRATION. WITH EXPENDITURES PROJECTED AT 27.4B PESOS (46PERCENT ABOVE FY 1976) AND REVENUES AT 23.9B PESOS (43 PERCENT ABOVE FY 1976), CY
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1977 BUDGETARY OPERATIONS ARE EXPECTED TO INCUR A DEFICIT OF

ABOUT 3.5B PESOS (COMPARED TO 2.1B PESOS IN FY 1976). THE BUDGET CONFIRMS A TREND OF INCREASING EXPENDITURES AND REVENUES, MEASURED AS A PERCENTAGE OF GNP, AND A SHIFT IN EXPENDITURES TOWARD INFRASTRUCTURE PROJECTS. THE 1977 BUDGET IS AMBITIOUS, AND ONLY STRENOUS EFFORTS WILL ENABLE THE GOP TO MEET ITS REVENUE TARGET. END SUMMARY.

2. THE FIRST MEETING OF THE NEWLY-CREATED BATASANG BAYAN (LEGISLATIVE ADVISORY COUNCIL) LAST WEEK UNDERTOOK TO DISCUSS THE PROPOSED P27.4B NATIONAL BUDGET FOR CY 1977. ALTHOUGH THE COUNCIL HAS ONLY ADVISORY POWERS, AND ALTHOUGH THE OUTCOME WAS NEVER IN DOUBT (THE COUNCIL PASSED RESOLUTION URGING ADOPTION OF THE BUDGET), THE DISCUSSION DID PROVIDE AN OPPORTUNITY FOR THE FIRST PUBLIC (IF CONTROLLED) AIRING OF A BUDGET SINCE DECLARATION OF MARTIAL LAW. ACTING BUDGET COMMISSIONER JAIME C. LAYA SPONSORED THE RESOLUTION AND DEFENDED THE PROPOSED BUDGET.

3. AT 27.4B PESOS, PROPOSED EXPENDITURES FOR CY 1977 ARE 46 PERCENT ABOVE THOSE FOR FY 1976, AND 18 PERCENT ABOVE ESTIMATED EXPENDITURES FOR CY 1976. (NOTE: THE GOP IS IN THE PROCESS OF SHIFTING FROM A JULY-JUNE FISCAL YEAR TO A JANUARY-DECEMBER FISCAL YEAR.) PROJECTED CY 1977 RECEIPTS, 23.9B PESOS, ARE 43 PERCENT ABOVE THOSE FOR FY 1976, AND 18 PERCENT ABOVE ESTIMATED CY 1976. THE PROJECTED DEFICIT OF 3.5B PESOS COMPARED WITH 2.1B PESOS FOR FY 1976 AND ESTIMATED 3.0B FOR CY 1976. CURRENT OPERATING EXPENDITURES FOR CY 1977 ARE ESTIMATED AT 16.9B PESOS, ABOUT 62 PERCENT OF TOTAL GOVERNMENT EXPENDITURES, WHILE CAPITAL OUTLAYS ARE PLACED AT 10.5B PESOS OR 38 PERCENT OF TOTAL EXPENDITURES.

4. THE BUDGET ALLOTS 11B PESOS FOR ECONOMIC DEVELOPMENT, REPRESENTING 40 PERCENT OF THE TOTAL OUTLAY. OF THIS 11 B PESOS, 19 PERCENT IS ALLOCATED FOR AGRICULTURE, FISHERY AND FORESTRY, 73 PERCENT FOR UTILITIES AND INFRASTRUCTURE, 5 PERCENT FOR INDUSTRY, AND 3 PERCENT FOR INTERNATIONAL RELATIONS AND TRADE. 5B PESOS IS APPROPRIATED FOR SOCIAL SERVICES, REPRESENTING 18 PERCENT OF THE TOTAL OUTLAY, OUT OF WHICH 56 PERCENT IS FOR EDUCATION AND MANPOWER, 22 PERCENT FOR HEALTH AND NUTRITION, 8 PERCENT FOR HOUSING, AND 14 PERCENT FOR SOCIAL WELFARE AND LIMITED OFFICIAL USE

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COMMUNITY DEVELOPMENT. DEFENSE AND MAINTENANCE OF PEACE AND ORDER WERE ALLOCATED 5B PESOS (18 PERCENT OF TOTAL BUDGET) WHILE 6.4B PESOS (23 PERCENT) WERE EARMARKED FOR GENERAL ADMINISTRATION.

5. LAYA STATED AT THE MEETING THAT PROBABLE INCREASES IN TAX COLLECTIONS AND FOREIGN BORROWINGS ARE DESIGNED TO COMPENSATE FOR THE PROJECTED DEFICIT. FINANCE SECRETARY CEASAR VIRATA ALSO ADDRESSED HIMSELF TO THIS QUESTION, STATING

THAT NEW REVENUE MEASURES WILL BE ADOPTED TO YEILD AN ADDITIONAL 1B PESOS IN EARNINGS, REPRESENTING 4.2 PERCENT OF THE ESTIMATED INCOME NEXT YEAR. VIRATA SAID THE PROPOSED MEASURES WILL CONSIST OF A PROGRESSIVE SYSTEM OF TAXATION IN THE FORM OF REDUCED TAXES ON CERTAIN ITEMS, WITHDRAWN TAX EXEMPTIONS, CHANGES IN TARIFF RATES, EXPORT TAX AMENDMENTS AND OTHER CHANGES IN THE TAXES OF NON-ESSENTIAL GOODS. IN ADDITION TO THESE ARE A SURTAX ON INCOME TAX AND A CALAMITY TAX AGAIN DETERMINED ON THE BASIS OF GROSS INCOMES.

6. COMMENT. EMBASSY HAS PREPARED AN AIRGRAM, SOON TO BE POUCHED, WHICH EXAMINES CERTAIN BUDGETARY TRENDS OVER 1976-77. ONE THEME WHICH EMERGES RATHER CLEARLY IS AN INCREASINGLY ACTIVE ROLE ON THE PART OF THE GOP. FROM FY 1973 TO FY 1976, THE ABSOLUTE AMOUNT OF EXPENDITURES HAS RISEN TWOFOLD. GOP EXPENDITURES, REVENUES ARE ALL INCREASING MEASURED AS A PERCENTAGE OF GNP. ANOTHER DEVELOPMENT IS A SHIFT IN THE PATTERN OF EXPENDITURES, AWAY FROM CURRENT OPERATING EXPENSES AND TOWARD CAPITAL OUTLAYS, WHERE INFRASTRUCTURE PROJECTS ARE PLAYING AN INCREASING ROLE.

7. FOR CY 1977, THE GOP IS SETTING AN AMBITIOUS COURSE, PARTICULARLY IN REVENUES. WHILE THE ABSOLUTE LEVEL OF REVENUES HAS BEEN INCREASING, REVENUE GENERATION FELL BACK TO 12.9 PERCENT OF GNP IN FY 1976, AND STRENUOUS EFFORTS WILL BE NECESSARY TO MEET THE TARGET OF 16.1 PERCENT OF GNP IN CY 1977. END COMMENT.
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